

MONTANA DEPARTMENT OF AGRICULTURE

Beginning Farmer/Rancher Loan Program

The Montana Beginning Farmer/Rancher Loan Program is a tax-exempt bond program designed to assist Beginning Farmers/Ranchers in the State of Montana to acquire agricultural property at lower interest rates.

The Program enables lenders, individuals, partnerships, corporations, and other entities to receive federally tax-exempt interest with respect to a loan or contract sale made to a Beginning Farmer/Rancher. The Financial Institution, after arranging the loan or sales contract, will obtain from the Montana Agriculture Loan Authority (the "Authority") a federally tax-exempt bond in the amount of the loan or unpaid balance. The loan and its collateral will be assigned to the Financial Institution as security for the bond. In the case of a contract sale, the contract will be entered into by the Authority, and the Financial Institution will receive the bond to evidence the Authority's obligations under the contract. The Authority's right, title and interest in the contract will then be assigned to the Beginning Farmer/Rancher who assumes payment obligations of the Authority under the contract.

BASIC QUALIFICATIONS

- The Beginning Farmer/Rancher must have a net worth of \$250,000 or less.
- The Beginning Farmer/Rancher may not have previously owned any substantial amount of farm/ranch land. Any parcel of land is substantial farm/ranch land unless the parcel is smaller than 30 percent of the median size of a farm/ranch in the county where the parcel is located, and the fair market value of the parcel has never exceeded \$125,000 while the person held an interest in it.
- Beginning Farm/Ranch Loan Program funds may be used to purchase agricultural land, agricultural improvements, and depreciable property.
- Property may be purchased from relatives only through third-party lenders.
- The loan maximums under existing federal laws are:
 - \$250,000 for agricultural land and improvements.
 - Of the possible \$250,000, no more than \$125,000 can be for Depreciable Agricultural Property, of which no more than \$62,500 can be for "used" property.

There is no minimum loan amount for the program. The Financial Institution will make a credit evaluation of the Beginning Farmer/Rancher, may require collateral deemed necessary and, with the Beginning Farmer/Rancher, must arrange the terms of the loan or contract. Neither the loan, the contract nor the bond will be the Authority's obligation, and the bond will be secured solely by the loan or contract and collateral provided by the Beginning Farmer/Rancher. The Financial Institution will be responsible for the creation and perfection of any security interest deemed necessary for the loan or contract.

A loan made under the Program is funded solely from the bond sold to the Financial Institution. The Authority has no independent funds to fund a loan. Therefore, a Beginning Farmer/Rancher must submit an application with the Financial Institution (bank, contract seller or individual investor) who is able to purchase the Authority's bond to fund the Beginning Farmer/Rancher's loan. This Authority shall not be liable or responsible for the failure of the Financial Institution to purchase a bond or otherwise perform the functions of a Financial Institution. Nor shall the Authority be liable or responsible for the failure of a Beginning Farmer/Rancher to locate an alternate Financial Institution in the event of a failure of performance by the Beginning Farmer/Rancher's initial Financial Institution.

FOR MORE INFORMATION CONTACT

Montana Department of Agriculture: 406-444-2402